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MMARS Policy: Payroll

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Mandatory and Voluntary Deductions: MBTA Passes

Executive Summary

The Commonwealth supports the Massachusetts Bay Transportation Authority (MBTA) program, which allows employees to purchase transit passes through a payroll deduction as a transportation fringe benefit. Transit passes are pre-tax deductions based on the federally approved dollar amount according to IRS Code 26, section 132(f). Any amount over the designated pre-tax amount will be deducted on a post tax basis. The federal pre-tax benefit applies to both income and Medicare taxes. For multiple pass purchases, the calculation will only apply to the transit pass that provides the greatest pre-tax benefit.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Policy

Passes that are currently available include:

- Local Bus
- Subway
- Combo
- ComboPLUS
- Zone 1 – Zone 8
- Water Shuttle

MBTA Coordinators

Departments who utilize the MBTA pass deduction are required to assign an MBTA Coordinator for each Department's location. This Coordinator will be responsible for receiving and dispersing MBTA passes to their employees.

Transit Pass Refunds

MBTA transit pass refunds are not processed through the payroll system. In the event an employee needs to obtain a refund for a transit pass that was deducted through the payroll system, the employee can do so directly with the MBTA. The MBTA will issue refunds and exchanges beginning with the last four business days of the month or the first four business days of the new month for which the pass is valid. The MBTA will not refund without proof that the employee had a deduction for the MBTA pass. The employee must bring their pay stub showing the deduction, a picture ID and the T pass to Government Center or Downtown Crossing MBTA ticket offices during business hours.

MBTA Deductions:

- Are administered jointly by the Office of the Comptroller and each Department;
- Are offered to all Commonwealth employees;
- Are available through an employee's payroll office;
- Are deducted in the first biweekly pay period of the month for the next month's pass;
- Depending on the value of the pass purchased, all or a portion of the deduction is treated as a federal pre-tax benefit; and
- Require a Deduction Form for MBTA pass to be filled out by the employee.

MBTA Deduction Forms can be found on the Comptroller's website:

[Http://www.state.ma.us/osc/Payinfo/payroll/FormsOnDemand.htm](http://www.state.ma.us/osc/Payinfo/payroll/FormsOnDemand.htm)

Internal Controls

Information Sources

- Related Procedure – None
- Legal Authority
 - 26 IRC 132(f) Non-Cash Transportation Benefits
 - Comptroller Policy Memo #299 as amended
 - IRS Publication 535 Business Expenses
 - DOR TIR 99-23
 - DOR TIR 00-04
 - DOR TIR 00-12
 - IRS Notice 94-3
 - Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
 - Massachusetts General Laws, Chapter 180, Section 17H
- Attachments - None
- Links - None
- [Contacts – CTR Help Desk](#)

- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.